



U.S.-Korea Trade Agreement

What's At Stake for Barley and Malt?

December 2010

The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union (EU) in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

Unhulled and Naked Barley

With the Agreement...

The KORUS agreement offers U.S. unhulled and naked barley a tariff advantage over its competitors (Australia, Canada, and China), because the agreement creates a 2,500-metric ton duty-free quota for U.S. unhulled and naked barley, which increases 2 percent per year while the out-of-quota tariff is phased out over 15 years.

The Trade Situation...

In 2009, China and Australia supplied nearly 100 percent of Korea's imported barley valued at \$7 million, with 53 and 47 percent market shares, respectively. The United States is currently a bit player in the market with reported exports of \$370,000 in 2009.

The Current Market Access Situation...

Korea has an unhulled barley autonomous tariff-rate quota (TRQ) of 50,000 tons at a 2-percent tariff. In addition, a global World Trade Organization (WTO) 23,582-ton TRQ covers unhulled barley at a 5-percent import tariff and naked barley at a 20-percent import tariff with over-quota tariffs of 324 and 300 percent, respectively.

Malt and Malting Barley

With the Agreement...

In the first year of the agreement, the United States has an opportunity to export 9,000 tons of unroasted malt and/or malting barley into Korea duty free. This 9,000-ton duty-free quota grows 2 percent each year through the 15th year, at which time all U.S. shipments of malt and malting barley will enter duty free. The KORUS agreement provides the United States with 10- and 20-percent tariff advantages, respectively, over our competitors for malt and malting barley.

The Trade Situation...

From 2007 through 2009, Korea imported an annual average of 12,000 tons of U.S. unroasted malt, valued at \$7 million. The U.S. share of Korea's import market for malt is 6 percent, while Australia, China, and Canada are the primary competitors.

Australia is the dominant player in the malting barley market, controlling nearly 100 percent of the import market, which was valued at \$2.8 million in 2009.

The Current Market Access Situation...

U.S. unroasted, smoked, and other malt combined enters the market under a Korean autonomous TRQ of 141,000 tons. Applied tariffs are 10 percent in-quota. Korea's WTO bound duties are up to 269 percent for non-roasted and smoked and 27 percent for other types.

For malting barley, Korea has an autonomous TRQ of 21,000 tons and applied tariffs of 20 percent in-quota. Korea's WTO bound duty is 513 percent.

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